

The State of Delaware

FY20 Plan Design – Review of Short-term Opportunities and Subcommittee Assignments

October 22, 2018

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GHIP long term health care cost projections

Illustrative: Increase premium rates by 2% annually starting in FY20

GHIP Costs (\$ millions)	FY17 Actual	FY18 Actual	FY19 Projected ¹	FY20 Projected ⁶	FY21 Projected ⁶	FY22 Projected ⁶	FY23 Projected ⁶
Average Enrolled Members	123,132	125,488	127,350	129,897	132,495	135,145	137,848
GHIP Revenue							
Premium Contributions (Increasing with Enrollment) ²	\$799.0	\$810.9	\$817.1	\$833.4	\$850.1	\$867.1	\$884.4
<i>2.0% Annual Premium Increase Starting FY20</i>	-	-	-	\$16.7	\$34.1	\$52.9	\$72.8
Other Revenues ³	\$81.6	\$92.1	\$91.7	\$98.0	\$105.0	\$112.5	\$120.5
Total Operating Revenues	\$880.6	\$903.0	\$908.8	\$948.1	\$989.2	\$1,032.5	\$1,077.7
GHIP Expenses (Claims/Fees)							
Operating Expenses (No Change)	\$816.8	\$853.9	\$932.1	\$999.7	\$1,070.7	\$1,146.7	\$1,228.1
% Change Per Member		2.6%	7.6%	5.0%	5.0%	5.0%	5.0%
Excise Tax Liability ⁴						\$9.1	\$16.3
Adjusted Net Income (Revenue less Expense)	\$63.8	\$49.1	(\$23.3)	(\$51.6)	(\$81.5)	(\$123.3)	(\$166.7)
Balance Forward	\$38.9	\$102.7	\$151.8	\$128.5	\$76.9	(\$4.6)	(\$127.9)
Ending Balance	\$102.7	\$151.8	\$128.5	\$76.9	(\$4.6)	(\$127.9)	(\$294.6)
- Less Claims Liability ⁵	\$54.0	\$58.9	\$61.3	\$65.7	\$70.4	\$75.4	\$80.8
- Less Minimum Reserve ⁵	\$24.0	\$24.0	\$24.3	\$26.1	\$28.0	\$30.0	\$32.1
GHIP Surplus (After Reserves/Deposits)	\$24.7	\$68.9	\$42.9	(\$14.9)	(\$103.0)	(\$233.3)	(\$407.5)

Note: FY17 Actual based on final June 2017 Fund Equity report; FY18 Actual based on final June 2018 Fund Equity report; FY19 enrollment as of July 2018; reflects ESI FY17 Q4 restated claims; numbers in table may not add up due to rounding

¹ Includes approved design changes for site-of-care steerage for imaging/outpatient lab and COE services and proposed design changes for \$0 statin coverage and preventive 3D mammography effective 7/1/2018; includes financial impact of legislative bills impacting GHIP (\$1.2m increase to FY19 budget and \$2.4m increase to FY20 projection); assumes no additional program changes in FY20 and beyond.

² Includes State and employee/pensioner premium contributions; assumes 2% annual enrollment growth for FY20-FY23; FY17 and FY18 actual premiums include 5% risk fee surcharge for participating non-State groups but not reflected in FY19 through FY23 premium totals

³ Includes Rx rebates, EGWP payments, other revenues; FY17/FY18 Actuals and FY19 Projected include participating group fees; assumed to increase proportionally with membership growth and health care trend

⁴ 40% excise tax on the value of employer sponsored health care coverage over specified thresholds starting CY 2022. Threshold assumed to increase at 2% annually

⁵ FY19 Claims Liability and FY19 Minimum Reserve levels updated with data through June 2018; future years assumed to increase with overall GHIP expense growth

⁶ FY20-FY23 projections based on 5% composite trend (assumes 6% underlying trend less 1% for future GHIP cost reduction initiatives); assumes no additional program changes in FY20; assumes 2% annual growth in GHIP membership.

GHIP long term health care cost projections

Illustrative: Increase premium rates by 2% annually starting in FY20¹

GHIP Costs (\$ millions)	FY20 Projected ⁶
Average Enrolled Members	129,897
GHIP Revenue	
Premium Contributions (Increasing with Enrollment) ²	\$833.4
<i>2.0% Annual Premium Increase Starting FY20</i>	<i>\$16.7</i>
Other Revenues ³	\$98.0
Total Operating Revenues	\$948.1
GHIP Expenses (Claims/Fees)	
Operating Expenses (No Change)	\$999.7
% Change Per Member	5.0%
Excise Tax Liability ⁴	n/a
Adjusted Net Income (Revenue less Expense)	(\$51.6)
Balance Forward	\$128.5
Ending Balance	\$76.9
- Less Claims Liability ⁵	\$65.7
- Less Minimum Reserve ⁵	\$26.1
GHIP Surplus (After Reserves/Deposits)	(\$14.9)

Opportunities for offsetting the projected FY20+ deficit

- Health management point solutions
- Centers of Excellence
- Site-of-care steerage
- Plan design changes
- Premium rate increases

Deadline for SEBC approval to ensure readiness by 7/1/19: February 11, 2019

Note: Presented to the SEBC on 9/24/18. FY20 enrollment as of July 2018 plus 2% increase in headcount; reflects ESI FY17 Q4 restated claims; numbers in table may not add up due to rounding

¹ Reflects 2% annual increase in premiums and 2% annual membership growth assumption effective 7/1/2019

² Includes State and employee/pensioner premium contributions; assumes no increase to premium rates 7/1/2018 and beyond; 2% annual enrollment growth for FY20;

³ Includes Rx rebates, EGWP payments, other revenues; assumed to increase proportionally with membership growth and health care trend

⁴ 40% excise tax on the value of employer sponsored health care coverage over specified thresholds starting CY 2022

⁵ FY20 Claims Liability and FY20 Minimum Reserve levels assumed to increase with overall GHIP expense growth

⁶ FY20 projection based on 5% composite trend (assumes 6% underlying trend less 1% for future GHIP cost reduction initiatives); assumes no additional program changes in FY20

Health management point solutions

Targeted solutions that address specific health needs

- Point solutions include a number of newer vendors that are focused on management of a specific chronic condition (e.g., diabetes)
- For many employers, metabolic syndrome and diabetes is the top clinical area of focus as a means of improving member health and reducing costs over the next three years¹
 - GHIP Active prevalence of diabetes in FY18 was 76 patients per 1,000 (Truven benchmark is 49 patients per 1,000)
- Metabolic syndrome and diabetes vendor offerings currently in the marketplace:
 - Span from digital coaching to condition management to remote patient monitoring
 - Target different segments of the workforce population
- Three types of solutions available and leading vendors are:

Diabetes Management (DM)	Diabetes Prevention Program (DPP)	Weight Management
<p>Targets individuals who already have diabetes</p> 	<p>Targets individuals at high risk for diabetes or have metabolic syndrome and/or pre-diabetes</p> 	<p>Targets individuals at risk for diabetes or other weight-related conditions</p> 
Experience in the GHIP		
<p>Highmark analysis suggests the State could save about \$1.0m in FY20 by implementing Livongo</p>	<p>Retrofit and YMCA DPP has been in place since FY18 with both Highmark and Aetna.</p>	<p>Weight Watchers was previously offered through Highmark and Aetna and paid as a claim but was discontinued due to cost.</p>

Note: Willis Towers Watson has a partnership with Livongo and is working on developing one with Omada.

¹ Source: 2017 Willis Towers Watson Best Practices in Health Care Employer Survey.

Illustrative options for reducing FY20 budget deficit

- Estimated range of potential FY20 savings through implementing Livongo for Highmark plan participants and Centers of Excellence through a carve-out COE vendor is \$1.5m - \$2.0m
- Additional cost avoidance for targeted changes related to site-of-care steerage can be achieved by increasing the copay differential for existing site-of-care steerage options such as telemedicine, basic imaging, high-tech imaging and outpatient lab

Service	FY19 Design	Illustrative Changes
Telemedicine	\$15/\$20 copay (HMO/PPO)	\$5/\$10 copay (HMO/PPO)
Basic Imaging	<ul style="list-style-type: none"> Freestanding Facility (preferred) - \$0 copay Hospital-based Facility - \$35 copay 	<ul style="list-style-type: none"> Freestanding Facility (preferred) - \$0 copay Hospital-based Facility - \$50 copay
High Tech Imaging	<ul style="list-style-type: none"> Freestanding Facility (preferred) - \$0 copay Hospital-based Facility - \$50 copay 	<ul style="list-style-type: none"> Freestanding Facility (preferred) - \$0 copay Hospital-based Facility - \$75 copay
Outpatient Lab	<ul style="list-style-type: none"> Preferred Lab - \$10 copay Other Lab - \$20 copay 	<ul style="list-style-type: none"> Preferred Lab - \$0 copay Other Lab - \$50 copay

Additional annual cost avoidance of ~\$1.0M¹ could be achieved by increasing copay differential to further incentivize care at appropriate, cost effective settings

- Estimated range of potential FY20 cost avoided through implementing deductibles for the HMO and PPO plan options

FY20 Deductible	\$50 / \$100	\$100 / \$200	\$150 / \$300	\$200 / \$400	\$250 / \$500
HMO	\$1.0 M	\$2.0 M	\$3.0 M	\$4.0 M	\$5.0 M
PPO	\$2.0 M	\$3.0 M	\$4.0 M	\$6.0 M	\$7.0 M
Total	\$3.0 M	\$5.0 M	\$7.0 M	\$10.0 M	\$12.0 M

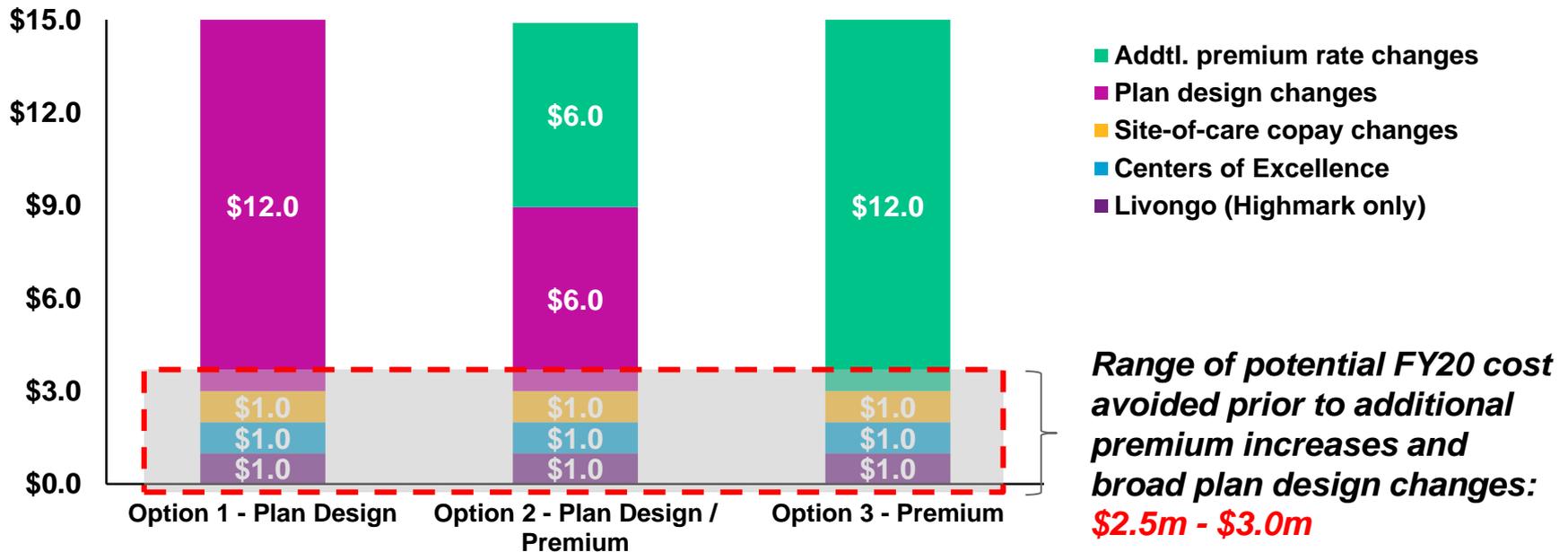
¹Further analysis with Aetna/Highmark needed to finalize savings estimates

Illustrative options for reducing FY20 budget deficit

- Remaining budget deficit would need to be addressed through broader plan design changes and/or additional **premium rate increases**

Every 1% increase in FY20 premiums reduces the FY20 budget deficit by approximately \$8M

\$ in millions



- Option 1 – Plan Design: Eliminate FY20 budget deficit through broad plan design changes
- Option 2 – Plan Design / Premium: Eliminate FY20 budget deficit through broad plan design changes and additional premium rate increases (\$6.0M in premium revenue requires **additional 0.7%** premium rate increase)
- Option 3 – Premium : Eliminate FY20 budget deficit through additional premium rate increases (\$12.0M in premium revenue requires **additional 1.4%** premium rate increase)

Section 23 FY 18 Budget epilogue – Open Enrollment

Employees of the State of Delaware who are enrolled in a health insurance benefit plan must actively participate in the open enrollment process each year by selecting a health plan or waiving coverage. Should such employee(s) neglect to enroll in a plan of their choice during the open enrollment period or waive coverage, said employee(s) and any spouse or dependents enrolled at the time will be enrolled into the default health plan(s) as determined by the State Employee Benefits Committee.

Active enrollment

Recommendations for FY20

- Maintain the following steps (first implemented for FY19) in the Open Enrollment process for FY20:
 - Require employees to reconfirm and/or provide contact information
 - Monitor employee participation in reviewing and updating their benefits elections in the benefits platform
 - Strongly word messaging to employees about the importance of taking an active role as engaged consumers in reviewing and updating their benefit elections

Steps¹ that State of Delaware employees would follow at Open Enrollment



Step 1: Confirm and/or provide contact information



Step 2: Click on link to access the myBenefitsMentor tool



Step 3: Click on link to make medical plan election

¹ Process would only apply to active State of Delaware employees (not Participating Groups or non-Medicare retirees). Process is subject to technical development and will need to address the fact that some employees (i.e., those who were recently hired before Open Enrollment) will not have access to myBenefitsMentor, as well as considerations for accommodating employees on leave of absence.

Subcommittee assignments

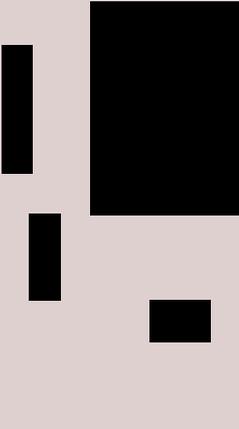
Agenda topics

In addition to traditional agenda items such as approval of minutes, updates from the last meeting of the other subcommittee, other business and public comments, each subcommittee will address the following key topics during Q2 FY19

Meeting Date	Policy & Planning	Financial
October 25, 2018	<ul style="list-style-type: none"> Committee business rules Overview of GHIP planning discussions with SEBC FY20 planning – short term opportunities 	<ul style="list-style-type: none"> Committee business rules Overview and history of Group Health Fund financials Quarterly financial reporting format Trend methodology
November 7, 2018	<ul style="list-style-type: none"> Continued discussion on FY20 short term opportunities Centers of Excellence plan design 	<ul style="list-style-type: none"> Reserve methodology GHIP FY20 premium rate discussion
December 4, 2018	<ul style="list-style-type: none"> Continued discussion on FY20 short term opportunities Centers of Excellence plan design 	<ul style="list-style-type: none"> FY18 financial results (deeper dive) FY19 Q1 reporting FY19/FY20 projections recast
December 18, 2018	<ul style="list-style-type: none"> Continued discussion on FY20 short term opportunities* Centers of Excellence plan design* 	<ul style="list-style-type: none"> GHIP FY20 premium rate discussion*

*Denotes subcommittee vote on recommendations for further consideration by the SEBC.

Appendix



Monthly rates and employee/retiree contributions with 2% increase

	FY 2019			FY 2020 with 2% Increase			\$ Change Employee/ Pensioner Contribution	
	Rate	Employee Contribution	State Subsidy	Rate	Employee Contribution	State Subsidy	Monthly	Annual
First State Basic								
Employee	\$695.36	\$27.84	\$667.52	\$709.27	\$28.37	\$680.90	\$0.53	\$6.36
Employee + Spouse	\$1,438.68	\$57.52	\$1,381.16	\$1,467.45	\$58.70	\$1,408.75	\$1.18	\$14.16
Employee + Child	\$1,057.02	\$42.26	\$1,014.76	\$1,078.16	\$43.13	\$1,035.03	\$0.87	\$10.44
Family	\$1,798.42	\$71.92	\$1,726.50	\$1,834.39	\$73.37	\$1,761.02	\$1.45	\$17.40
CDH Gold								
Employee	\$719.68	\$35.98	\$683.70	\$734.07	\$36.70	\$697.37	\$0.72	\$8.64
Employee + Spouse	\$1,492.22	\$74.58	\$1,417.64	\$1,522.06	\$76.10	\$1,445.96	\$1.52	\$18.24
Employee + Child	\$1,099.56	\$54.96	\$1,044.60	\$1,121.55	\$56.07	\$1,065.48	\$1.11	\$13.32
Family	\$1,895.74	\$94.78	\$1,800.96	\$1,933.65	\$96.68	\$1,836.97	\$1.90	\$22.80
Aetna HMO								
Employee	\$725.94	\$47.16	\$678.78	\$740.46	\$48.13	\$692.33	\$0.97	\$11.64
Employee + Spouse	\$1,530.58	\$99.50	\$1,431.08	\$1,561.19	\$101.48	\$1,459.71	\$1.98	\$23.76
Employee + Child	\$1,110.52	\$72.18	\$1,038.34	\$1,132.73	\$73.62	\$1,059.11	\$1.44	\$17.28
Family	\$1,909.82	\$124.12	\$1,785.70	\$1,948.02	\$126.63	\$1,821.39	\$2.51	\$30.12
Comprehensive PPO								
Employee	\$793.86	\$105.18	\$688.68	\$809.74	\$107.29	\$702.45	\$2.11	\$25.32
Employee + Spouse	\$1,647.34	\$218.26	\$1,429.08	\$1,680.29	\$222.64	\$1,457.65	\$4.38	\$52.56
Employee + Child	\$1,223.46	\$162.08	\$1,061.38	\$1,247.93	\$165.35	\$1,082.58	\$3.27	\$39.24
Family	\$2,059.40	\$272.86	\$1,786.54	\$2,100.59	\$278.33	\$1,822.26	\$5.47	\$65.64
Port POS								
Employee	\$601.74	\$0.00	\$601.74	\$613.77	\$0.00	\$613.77	\$0.00	\$0.00
Employee + Spouse	\$1,490.58	\$0.00	\$1,490.58	\$1,520.39	\$0.00	\$1,520.39	\$0.00	\$0.00
Employee + Child	\$905.58	\$0.00	\$905.58	\$923.69	\$0.00	\$923.69	\$0.00	\$0.00
Family	\$1,505.40	\$0.00	\$1,505.40	\$1,535.51	\$0.00	\$1,535.51	\$0.00	\$0.00